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FM AMEMBASSY TASHKENT  
TO RUEHC/SECSTATE WASHDC PRIORITY 7309  
INFO RUEHAH/AMEMBASSY ASHGABAT 2643  
RUEHTA/AMEMBASSY ASTANA 8739  
RUEHEK/AMEMBASSY BISHKEK 3237  
RUEHDBU/AMEMBASSY DUSHANBE 3110  
RUEHVEN/USMISSION USOSCE 1961

C O N F I D E N T I A L TASHKENT 000515

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DEPARTMENT FOR SCA/CEN AND EUR/ACE  
ASTANA ALSO FOR USAID

E.O. 12958: DECL: 03/30/2017

TAGS: [PGOV](#) [PREL](#) [EAID](#) [UZ](#)

SUBJECT: COURT REJECTS MERCY CORPS AND FINCA APPEALS IN TAX  
CASES

REF: A. TASHKENT 203

[1](#)B. 06 TASHKENT 2402

Classified By: Amb. Jon R. Purnell for reasons 1.4 (b) and (d).

[1](#)1. (SBU) The same Tashkent City Economic Court appeals panel rejected presentations by Mercy Corps and the Foundation for International Community Assistance (FINCA) on March 29. The organizations had appealed lower court rulings from January 29 and February 5, respectively, that allowed tax authorities to impose penalties against them for alleged violations of Uzbekistan's tax code (ref A). In back-to-back hearings lasting less than two hours each, the appeals court found that the tax inspections had been carried out in accordance with applicable law, that the organizations' alleged actions were in violation of the law, and that tax authorities had correctly calculated the penalties imposed against each.

[1](#)2. (SBU) Comment: The lower court rulings will enter into legal force with the publication of the appeals court decision, probably early the week of April 2. Mercy Corps and FINCA immediately will be liable to pay the full amount of the imposed fines of approximately \$570,000 and \$2.1 million respectively. As a next step, tax authorities likely will seek court orders allowing the seizure of funds held in the organizations' certificate deposit accounts. Neither Mercy Corps nor FINCA has enough in those accounts to pay the entire amount owed. Eventually, both probably will be declared bankrupt and have their physical assets liquidated by the court. End comment.

[1](#)3. (C) FINCA had attempted to protect the funds in its certificate deposit account by transferring them to a trust account established by Post. According to local representative Olga Sadyk, several transfers totaling approximately \$65,000 were completed, but FINCA's intermediate bank canceled its agreement without prior notice. Subsequently, the bank informed Sadyk that it had "mistakenly" listed FINCA rather than the Embassy as the recipient on the transfers, and that it was reversing the transfers. As of March 30, approximately \$60,000 had been removed from the Embassy account, immediately transferred to FINCA's frozen operating account, and confiscated by tax authorities. Sadyk said, that when informing her of the decision to reverse the transfers, the bank director told her that the move had been ordered in a phone call by an unspecified official in the Presidential Apparatus. When added to the amount that taken from the operating account when it was frozen, this latest action brings the total amount of USG funds seized from FINCA by the tax authorities to about

\$80,000.  
PURNELL